

## Message Text

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ORIGIN EB-07

INFO OCT-01 ARA-06 EUR-12 IO-13 ISO-00 COME-00 AGRE-00

TRSE-00 STR-04 L-03 CIAE-00 INR-07 NSAE-00 OMB-01

ITC-01 FRB-03 SS-15 NSC-05 SSO-00 NSCE-00 INRE-00

USIE-00 /078 R

DRAFTED BY EB/ICD/TRP:MWALL:JMM

APPROVED BY EB:JLKATZ

EB/ICD/TRP:MADAIR

EB/ORF/ICD:MBOERNER

ARA/ECP:WBURSON

ARA/AND:DWCOX

-----100010Z 104412 /73

O R 092347Z MAY 77

FM SECSTATE WASHDC

TO AMEMBASSY BOGOTA IMMEDIATE

INFO AMEMBASSY BRASILIA

USMISSION GENEVA

AMEMBASSY LONDON

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E.O. 11652: N/A

TAGS: ETRD, EAGR

SUBJECT: COLOMBIAN COFFEE SALES

1. DEPARTMENT HAS RECEIVED REPORTS THAT COFFEE SALES BY PRIVATE EXPORTERS FROM COLOMBIA HAVE STOPPED AS A RESULT OF COFFEE PRICES FALLING BELOW THE AMOUNT EXPORTERS ARE REQUIRED TO DEPOSIT WITH THE CENTRAL BANK. GILBERTO ARANGO LONDONO, PRESIDENT OF THE NATIONAL COFFEE EXPORTER'S ASSOCIATION, IS REPORTED TO HAVE SAID THAT "WITH THESE PRICE CUTS, PRIVATE COFFEE EXPORTERS ARE PRACTICALLY LIMITED OFFICIAL USE

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OBLIGED TO WITHDRAW FROM THE MARKET".

2. ICO INDICATOR PRICES FOR COLOMBIA MILDS HAVE DROPPED 20 IN THREE WEEKS, FROM A PEAK OF \$3.34 PER POUND ON APRIL 14 TO \$2.77 ON MAY 5. THE COLOMBIA MONETARY BOARD NOW REQUIRES EXPORTERS TO DEPOSIT MORE THAN \$3.00 PER POUND ON COFFEE SHIPPED ABROAD. SINCE CURRENT PRICES

ARE BELOW THAT FIGURE, WE UNDERSTAND THAT EXPORTERS ARE UNWILLING TO SELL UNTIL THE EXCHANGE CONTROL REQUIREMENT IS REDUCED.

3. IN A SPEECH BEFORE THE COLOMBIAN AMERICAN ASSOCIATION ON APRIL 28, 1977 IN NEW YORK, MR. ARTURO GOMEZ, GENERAL MANAGER OF THE COLOMBIAN COFFEE GROWERS' FEDERATION, SAID

THAT "NO OFFICIAL MEASURES HAVE BEEN ADOPTED TO REDUCE THE SUPPLY OF COFFEE AND COLOMBIA HAS BEEN ABLE TO KEEP UP A STEADY FLOW OF COFFEE TO ITS TRADITIONAL CUSTOMERS IN THE UNITED STATES AND EUROPE". WHILE WE ARE NOT AT THIS POINT SUGGESTING THAT GOC POLICY IS SPECIFICALLY DESIGNED TO RESTRICT COFFEE EXPORTS, FAILURE TO MAKE PROMPT ADJUSTMENT IN EXCHANGE CONTROLS COULD HAVE ADVERSE EFFECT ON SUPPLY.

4. ACTION REQUESTED: EMBASSY SHOULD ATTEMPT TO VERIFY THESE REPORTS AND, IF CONFIRMED, SHOULD RAISE U.S. CONCERN ABOUT THE COLOMBIA COFFEE SALES AND THE STATEMENTS MADE BY MR. ARANGO LONDONO WITH COLOMBIA GOVERNMENT OFFICIALS AS WELL AS WITH MR. ARTURO GOMEZ. EMBASSY REPRESENTATIVES MAY NOTE THAT:

REPORTED SITUATION IS DISTURBING AND SURPRISING IN VIEW OF THE PUBLIC ANNOUNCEMENTS BY MR. GOMEZ THAT COLOMBIA WOULD PROVIDE A STEADY SUPPLY OF COFFEE AND HIS PRIVATE ASSURANCES TO ASSISTANT SECRETARY JULIUS L. KATZ THAT TODAY'S COFFEE PRICES ARE TOO HIGH.  
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SITUATION DOES NOTHING TO FURTHER IMPRESSION OF COOPERATION BETWEEN COFFEE PRODUCERS AND CONSUMERS REQUIRED OF THE MEMBERS OF THE INTERNATIONAL COFFEE AGREEMENT.

WE WOULD WELCOME CONFIRMATION THAT GOC PLANS APPROPRIATE AND PROMPT ADJUSTMENTS IN EXCHANGE CONTROL AND TAX POLICIES TO REFLECT ANY DOWNWARD MOVEMENT IN PRICES.  
CHRISTOPHER

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## Message Attributes

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**Review Markings:**  
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